

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements
June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

York County, which was originally named Charles River County, was one of Virginia's eight original "shires" formed in 1634. It was renamed nine years later in 1643 when the river that determines the County's character was also given the name of the then Duke of York.

York County has played a major role in the development of this nation. Most importantly, it was the location of the culminating battle of the Revolutionary War and the subsequent surrender of Lord Cornwallis and his British army on October 19, 1781.

The financial statements presented for the County of York, Virginia, (the County) are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The County's significant accounting and reporting policies are described in the following notes:

A. Reporting Entity

The financial reporting entity consists of the primary government and its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government.

The accompanying financial statements present the County (the primary government) and its component units. The financial data of the component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

All of the County's component units have been discretely presented. Discretely presented component units are entities that are legally separate from the County, but for which the County is financially accountable, or whose relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. These component units are reported in separate columns to emphasize that they are legally separate from the County. All of the component units have a June 30 year-end.

The **York County Public Schools (the Schools)** are responsible for elementary and secondary education within the County. As of January 1, 1996, the citizens of the County have elected the members of the School Board. The Schools are fiscally dependent upon the County because the Board of Supervisors approves the annual budget of the Schools, levies the necessary taxes to finance the Schools' operations and approves the borrowing of money and the issuance of bonds. Separate audited financial statements are available from the Schools at 302 Dare Road, Yorktown, Virginia, 23692.

The **Industrial Development Authority of York County (IDA)** was established under the Industrial Development and Revenue Bond Act - *Code of Virginia*. A separate board appointed by the Board of Supervisors governs the IDA. The IDA is fiscally dependent upon the County because substantially all of its income is derived from an appropriation from the County. The IDA has the responsibility to promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate or to remain in the County. Separate audited financial statements are available from the IDA at P. O. Box 612, Yorktown, Virginia, 23690. As discussed in Note 2, cash and investments of the IDA are pooled with County funds for investment purposes only.

B. Joint Venture Government Organizations

The County does not include in the accompanying financial statements certain authorities created as separate governments under the laws of the Commonwealth of Virginia. These authorities are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the County although certain members of their governing bodies are appointed by the County Board of Supervisors. While the County may have some reversionary interest in the assets of these entities in the event they are dissolved, the nature and extent of that interest would be subject to

negotiation at the time of dissolution. The County does not include these entities as component units because they do not meet the criteria as set forth in Governmental Accounting Standards Board Statement No. 14 - "The Financial Reporting Entity."

The **Virginia Peninsulas Public Service Authority (VPPSA)** was established under the Virginia Water and Sewer Authorities Act - *Code of Virginia*. A separate ten-member board of which the County appoints one representative governs VPPSA. VPPSA was formed for the purpose of developing regional refuse collection, waste reduction and disposal alternatives with the ultimate goal of acquiring, financing, constructing and/or operating and maintaining a residential, commercial and industrial garbage and refuse collection and disposal system or systems. VPPSA is fiscally independent of the County because substantially all of its income is generated through the collection of user fees. Separate audited financial statements are available from VPPSA at 2 Eaton Street, Suite 502, Hampton, Virginia 23669.

The **Virginia Peninsula Regional Jail Authority (Jail Authority)** was created pursuant to Article 3.1, Chapter 3, Title 53.1 of the *Code of Virginia* to finance, acquire, construct, equip, maintain and operate a regional jail. The Jail Authority is governed by a separate seven-member board of which the County Sheriff serves as a member and the County appoints one representative. The Jail Authority is fiscally independent of the County because substantially all of its income will be generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs, a portion of salaries and benefits of certain regional jail employees and a per diem charge for all prisoners housed at the jail. Separate audited financial statements are available from the Jail Authority, c/o the County of James City at P. O. Box 8784, Williamsburg, Virginia 23187-8784.

The **Middle Peninsula Juvenile Detention Commission (the Commission)** was created to enhance the region for the protection of the citizens by the construction, equipping, maintenance and operation of a new juvenile detention facility serving the eighteen member jurisdictions of which the Director of Community Services serves as the County's representative on the board. The Commission is fiscally independent of the County because substantially all of its income will be generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs. Separate audited financial statements are available from the Commission, c/o the County of James City at P. O. Box 8784, Williamsburg, Virginia 23187-8784.

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Basis of Presentation - Fund Accounting

The accounts of the County are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances/retained earnings, revenues and expenditures/expenses. The various funds are summarized by type in the combined financial statements. The following fund types and account groups are used by the County:

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus of governmental fund types is upon determination of changes in financial position, rather than upon net income determination. The following are the County's governmental fund types:

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. This fund type includes Children's Services / Head Start and Virginia Public Assistance.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The Debt Service Funds include Fire and Rescue, Public Facilities and Education Debt Redemption.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The Capital Project Funds include Yorktown Capital Improvements and County Capital.

Proprietary Fund Types

Proprietary Funds are used to account for the County's ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus of proprietary fund types is upon determination of net income. The following are the County's proprietary fund types:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Enterprise Funds include York Sanitary District, Sanitary District No. 2, Water Enterprise, Solid Waste, Water Utility and Sewer Utility.

As of January 1, 1992, the County consolidated its two separate sanitary district systems with separate regulations into one countywide unified system with a uniform set of regulations. In an agreement between the County and the sanitary districts, the County leased for a period of 20 years all of the sewer facilities of the two sanitary districts. York Sanitary District receives rent of \$10 per year through December 31, 2012. Sanitary District No. 2 received a sum sufficient to pay off its outstanding debts with final payment made July 1, 1997. In return for receiving sewer fees and charges, and other financial assets of the districts that are attributable to the district's sewer systems, the County agrees to operate a unified system, and assume all of the obligations of the districts. As of June 30, 2001, the sanitary districts continue to exist as enterprise funds containing all of the fixed assets. All other assets and liabilities have been transferred to two enterprise funds, the Sewer Utility and the Water Utility, which account for the operations of the unified sewer and water systems.

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department to other departments or agencies of the County, or to other governments, on a cost-reimbursement basis. This fund type includes the Transportation Fund, which accounts for the operation of the centralized motor vehicle pool.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units or other funds.

Agency Funds - The Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds include the Mental Health Chapter X, Colonial Group Homes Commission, Special Welfare, Yorktown Waterfront, Historical Committee, Law Library and Other Funds which include Darby-Firby Neighborhood Corporation, Victory Monument Lighting, Library Donations, Library Foundation, Letter of Credit Escrow and Peninsula Public Sports Facility Authority.

Account Groups

Account groups are used to establish accounting control and accountability for the County's general property, plant and equipment and general long-term liabilities. The following are the County's account groups:

General Fixed Assets Account Group - This account group is established to account for all property, plant and equipment of the County, other than those accounted for in the Proprietary Funds. Property, plant and equipment of the Discretely Presented Component Unit School Board are presented separately.

General Long-term Obligations Account Group - This account group is established to account for all long-term liabilities of the County except those accounted for in the Proprietary Funds. Long-term liabilities of the Discretely Presented Component Unit - School Board are presented separately.

D. Basis of Accounting

The Governmental Funds and Agency Funds follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest and principal on long-term debt which is recorded when due, are recorded when the fund liability is incurred, if measurable.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the County; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

Real and personal property taxes are recorded as revenues and receivables when levied and billed, net of allowance for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the State or utility companies by year-end and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the State or utility company, which is generally in the month preceding receipt by the County.

Licenses and permits, fines and forfeitures, charges for services and miscellaneous revenues (except interest on temporary investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The accrual basis of accounting is followed by the proprietary fund types. Accordingly, their revenues are recognized when earned, and their expenses are recognized when they are incurred. Unbilled utility service receivables are recorded in the Enterprise Funds when earned. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting" (Statement No. 20), proprietary fund types follow all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements and predecessor Accounting Practices Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989. Under paragraph 7 of Statement No. 20, the County has elected not to apply FASB pronouncements issued after November 30, 1989.

E. Property Taxes

The two major sources of property taxes are described below:

Real Estate

The County levies real estate taxes on all real estate within its boundaries, except that exempted by statute, each year as of January 1 on the estimated market value of the property. All real estate property is assessed biennially.

Real estate taxes are billed in equal semi-annual installments due June 5 and December 5. Liens are placed on the property on the date real estate taxes are delinquent, June 6 and December 6, and must be satisfied prior to the sale or transfer of the property. Real estate taxes reported as revenue are for the assessment due December 5, 2000 and June 5, 2001, less an allowance for uncollectible amounts and taxes not collected within 45 days after year-end. The tax rate for calendar years 2000 and 2001 was \$.86 per \$100 of assessed value.

Personal Property

The County levies personal property taxes on motor vehicles and tangible personal business property. These levies are made each year as of January 1.

Personal property taxes are billed in equal semi-annual installments due June 5 and December 5. Personal property taxes do not create a lien on property; however, County decals, which are required by law for all vehicles garaged in the County, may not be issued to any individual having outstanding personal property taxes. The personal property taxes reported as revenue are for the levies due December 5, 2000, and June 5, 2001, less an allowance for uncollectible amounts and taxes not collected within 45 days after year-end. The tax rate for calendar years 2000 and 2001 was \$4.00 per \$100 of assessed value.

The County's property tax collection records show that 96.26% of the property taxes due for the current tax year were collected.

F. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the combined financial statements:

Annual budget requests of the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds for the ensuing fiscal year are submitted to the County Administrator by department or agency heads during the second quarter of the fiscal year. The County Administrator reviews the requests and meets with department heads to discuss agency requests.

Prior to June 30, the County Administrator submits a balanced budget to the Board of Supervisors for the next fiscal year to begin July 1. This budget includes the School Board's budget upon which the County Administrator can make recommendations, but not alter. The Board of Supervisors makes an appropriation to the School Board but is prohibited from exercising any control over specific expenditures of School Board operating funds.

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

After work sessions with the Board of Supervisors and public hearings, the budget is amended as necessary and an appropriations resolution by function level is adopted. Tax rates are established prior to the beginning of the fiscal year. The budget is required to be adopted by a majority vote of the Board of Supervisors prior to the end of the current fiscal year.

The Board of Supervisors appropriates funds on an appropriation function level and may make supplemental appropriations based on the availability of financial resources. The County Administrator may only authorize the transfer of funds within the appropriation function.

Every appropriation lapses at the close of the fiscal year to the extent that it has not been expended. Funding for projects such as the capital improvements program is reappropriated annually until the project has been accomplished or abandoned.

The budgets are prepared on a basis consistent with the modified accrual basis of accounting. Budgeted amounts reflected in the financial statements are as originally adopted or as amended by the Board of Supervisors or the County Administrator.

A summary of the supplemental appropriation activity approved by the Board of Supervisors during the fiscal year ended June 30, 2001 is as follows:

<u>Fund Type</u>	<u>Primary Government</u>	<u>School Board</u>
General Fund	\$ 10,960,770	\$ —
Special Revenue Funds	64,733	3,065,605
Capital Project Funds	6,320,785	6,432,668
Total Supplemental Appropriations	<u>\$ 17,346,288</u>	<u>\$ 9,498,273</u>

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds and Capital Project Funds. Encumbrances outstanding at year-end are reported as reserved fund balances since they do not constitute expenditures or liabilities and are reappropriated in the ensuing year's budget.

H. Allowance for Uncollectible Amounts

Provision for uncollectible property taxes is based upon a historical percentage of accounts written off applied to the total levies of all years carried in taxes receivable and, in certain cases, specific account analysis.

Provision for uncollectible solid waste, water and sewer service bills is based upon a historical analysis of uncollected accounts and, in certain cases, specific account analysis.

I. Cash and Temporary Investments

The County utilizes the pooled cash investment method. Income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and temporary investments of each fund to the total pooled cash and temporary investments. See Note 2 for description of cash and temporary investment policies. Investments are stated at fair value.

J. General Fixed Assets

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost or estimated historical cost in the general fixed assets account group. Contributed general fixed assets are recorded at their estimated fair market value at the date of receipt.

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the County. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets.

No depreciation has been provided on general fixed assets.

K. Property, Plant and Equipment - Enterprise and Internal Service Funds

Property, plant and equipment reported in the proprietary funds are stated at cost. Donated property, plant and equipment are valued at estimated fair market value at the date of receipt. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation on contributed property, plant and equipment is accounted for as an operating expense and as a reduction in contributed capital in lieu of retained earnings. The estimated useful lives are as follows:

Buildings and improvements	20 years
Plant, equipment and distribution system	40-50 years
Equipment	3-10 years

L. Vacation and Sick Pay

County employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination or death, may be compensated for certain amounts at their then current rates of pay. The cost of accumulated accrued vacation and sick pay including associated benefits is accounted for as a liability in the general long-term debt account group and proprietary funds. In the governmental funds, the amount of the vacation and sick pay recognized during the year is the amount accrued during the year that is normally liquidated with expendable available financial resources. In the proprietary funds, the amount of vacation and sick pay recognized is the amount earned.

M. Retirement Plan

Retirement Plan contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The County's policy is to fund pension cost as it accrues.

N. Total Column on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

O. Fund Equity Balances

Fund equity balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

Investment in General Fixed Assets - represents the County's equity in owned general fixed assets that have been capitalized.

Contributed Capital - includes capital contributions to the Enterprise and Internal Service Funds from customers, and the local, state and Federal governments, net of accumulated depreciation on assets purchased from those contributions. The contributed capital transactions for the current year are summarized below:

	Enterprise Funds	Internal Service Fund
Contributed capital - July 1, 2000	\$ 38,965,637	\$ 2,561
From developers	1,080,910	—
From local government	—	16,635
Depreciation expense	(959,452)	(2,565)
Contributed capital - June 30, 2001	<u>\$ 39,087,095</u>	<u>\$ 16,631</u>

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Concluded

Retained Earnings - represents the County's equity in retained earnings in the Enterprise and Internal Service Funds.

Fund Balances - Reserved - indicates that portion of fund equity which has been legally segregated for specific purposes or that does not represent available, expendable resources.

Fund Balances - Designated - indicates tentative plans for financial resource utilization in future periods.

Fund Balances - Undesignated - represents the remainder of the County's equity in governmental funds.

P. Statement of Cash Flows

For purposes of the statement of cash flows, cash and temporary investments with original maturities of three months or less are considered to be cash and cash equivalents.

Q. Use of Estimates

Management of the County has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Any differences between these estimates and actual results should immaterially affect the County's reporting of its financial position.

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Temporary Investments." In addition, the County has restricted cash and investments including cash and investments held with escrow agents.

At June 30, 2001, cash and investments consisted of:

Bank deposits	\$ 1,201,240
Restricted cash	1,985,998
Petty cash	5,255
Investments	71,350,640
Restricted investments	1,003,584
Balance of Joint Sanitary Board	<u>(23,132)</u>
Total cash and investments	<u>\$ 75,523,585</u>

A. Deposits

At year-end, the carrying value of the County's deposits with banks and savings institutions was \$1,154,456 and the bank balance was \$4,387,360. The bank balance of \$4,387,360 was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of insured limits. Deposits collateralized under the Act are considered to be insured. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

Petty cash in the amount of \$600 belongs to the School Board.

The carrying amount of deposits for the IDA was \$46,784 and the bank balance was \$49,675. The bank balance of \$49,675 was either covered by Federal depository insurance or was collateralized in accordance with the Virginia Security for Public Deposits Act.

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

2. DEPOSITS AND INVESTMENTS, Continued

The carrying amount of restricted cash was \$1,985,998 at June 30, 2001. Of this amount, \$5,000 is surety deposits for junkyards held in the County's and the junkyards' names; \$226,242 represents monies held in escrow for the debt payments on the capital lease with the Virginia Peninsulas Public Service Authority; \$628 for the debt payments for the certificates of participation; \$65,165 for the debt payments for the sewer revenue bonds; \$195,425 represents monies held in escrow at Trigon BlueCross BlueShield for the payment of future claims; and \$1,493,538 represents the remaining proceeds from the sewer revenue bonds. These amounts are fully collateralized under the Virginia Security for Public Deposits Act.

B. Investments

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). LGIP is managed in accordance with the "2a7 like pool" risk limiting requirements of GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" with the portfolio securities valued by the amortized cost method. Investments with a maturity date of one year or less are stated at amortized cost. All other investments are stated at fair value.

The County's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its safekeeping agent in the County's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or its safekeeping agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or by its safekeeping department or agent but not in the County's name.

At year-end, the County's investment balances were as follows:

	C A T E G O R Y			Carrying Amount	Fair Value
	1	2	3		
<u>Pooled:</u>					
Repurchase Agreements	\$ <u> —</u>	\$ <u>1,000,000</u>	\$ <u> —</u>	\$ 1,000,000	\$ 1,000,000
<u>Investments not subject to categorization:</u>					
Investment in US Government Cash Management Portfolio (MENTOR)				1,232,651	1,232,651
Investment in State Treasurer’s Local Government Investment Pool (LGIP)				68,784,983	68,784,983
Pension Trust Fund:					
Government Money Market				97,118	97,118
Mutual Funds				813,296	813,296
Federal Mortgages				<u>72,858</u>	<u>72,858</u>
				<u>\$ 72,000,906</u>	<u>\$ 72,000,906</u>

Because the cash and investments of the School Board are included in the County's pool of investments in repurchase agreements, MENTOR and LGIP, information such as investment categories cannot be separately presented for these categories. Of the amounts invested in repurchase agreements, MENTOR and LGIP, \$6,264,312 belongs to the School Board. The School Board Pension Trust Fund cash and investments totaling \$983,272 contains the following: government money market - \$97,118; mutual funds - \$813,296; and Federal mortgages - \$72,858.

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

2. DEPOSITS AND INVESTMENTS, Concluded

At year-end, the County of York Industrial Development Authority investment balances were as follows:

	<u>C A T E G O R Y</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Common Stocks	\$ 20,312	\$ —	\$ —	\$ 20,312	\$ 20,312
<u>Investments not subject to categorization:</u>					
Investment in State Treasurer's Local Government Investment Pool (LGIP)				333,006	333,006
				<u>\$ 353,318</u>	<u>\$ 353,318</u>

Due to significantly higher cash flows at certain times during the year, the County's investment in overnight repurchase agreements for which the underlying securities were held by the dealer increased significantly. As a result, the amounts that were in Category 2 at those times were significantly higher than at year-end.

3. PROPERTY, PLANT AND EQUIPMENT

The following is a summary of changes in general fixed assets for the year ended June 30, 2001:

<u>Primary Government</u>	<u>Balance at July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2001</u>
Land	\$ 7,805,557	\$ 465,401	\$ —	\$ 8,270,958
Buildings/improvements	29,408,273	4,963,709	—	34,371,982
Motor vehicles	3,548,140	11,483	(36,001)	3,523,622
Machinery/equipment	8,485,608	1,114,409	(517,721)	9,082,296
Construction in progress	3,564,451	287,864	(3,559,691)	292,624
	<u>\$ 52,812,029</u>	<u>\$ 6,842,866</u>	<u>\$ (4,113,413)</u>	<u>\$ 55,541,482</u>

3. **PROPERTY, PLANT AND EQUIPMENT**, Concluded

Discretely Presented Component Unit - School Board	Balance at July 1, 2000	Additions	Deletions	Balance at June 30, 2001
Land	\$ 4,496,812	\$ —	\$ —	\$ 4,496,812
Buildings/improvements	63,256,706	7,766,968	—	71,023,674
Motor vehicles	5,142,242	996,493	—	6,138,735
Machinery/equipment	6,361,788	1,398,340	(266,044)	7,494,084
Construction in progress	5,019,820	1,374,445	(5,019,820)	1,374,445
	<u>\$ 84,277,368</u>	<u>\$ 11,536,246</u>	<u>\$ (5,285,864)</u>	<u>\$ 90,527,750</u>

A summary of property, plant and equipment in the proprietary fund types and component unit Industrial Development Authority at June 30, 2001 follows:

	Enterprise	Internal Service	Discretely Presented Component Unit - Industrial Development Authority
Land	\$ 583,277	\$ —	\$ —
Land Held for Resale	—	—	165,908
Buildings/improvements	9,390,214	—	—
Plant, equipment and distribution system	59,033,539	3,377,843	—
Building Held for Resale	—	—	2,717,047
Equipment	3,145,385	114,526	—
Construction in progress	14,627,839	—	—
	<u>86,780,254</u>	<u>3,492,369</u>	<u>2,882,955</u>
Less accumulated depreciation	<u>(19,501,995)</u>	<u>(1,942,296)</u>	<u>(135,852)</u>
	<u>\$ 67,278,259</u>	<u>\$ 1,550,073</u>	<u>\$ 2,747,103</u>

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

4. LONG-TERM LIABILITIES

A. Enterprise Funds

Details of general obligation bonds payable recorded in the Enterprise Funds at June 30, 2001 are as follows:

Outstanding debt	\$ 142,100
Interest rates	5.70 - 5.80%
Dates of maturity	Fiscal Years 2002 to 2003

The County anticipates that all amounts required for the payment of interest and principal on these bonds will be provided by the respective Enterprise Fund's revenues; however, these bonds are collateralized by the full faith and credit of the County.

Debt service on the foregoing debt is payable during future fiscal years ending June 30 as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 72,500	\$ 8,169
2003	69,600	4,037
	<u>\$ 142,100</u>	<u>\$ 12,206</u>

Details of revenue bonds payable recorded in the Enterprise Funds at June 30, 2001 are as follows:

Outstanding debt	\$ 9,810,200
Interest rates	4.75 – 5.875%
Dates of maturity	Fiscal Years 2002 to 2032

The County anticipates that all amounts required for the payment of interest and principal on the bonds will be provided by the respective Enterprise Fund's revenues.

Debt service on the foregoing debt is payable during future fiscal years ending June 30 as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 157,760	\$ 546,498
2003	168,153	538,980
2004	173,566	530,967
2005	183,999	522,696
2006	194,455	513,490
Thereafter	8,932,267	7,421,754
	<u>\$ 9,810,200</u>	<u>\$ 10,074,385</u>

B. General Long-term Obligations Account Group

Details of general obligation bonds recorded in the General Long-term Obligations Account Group at June 30, 2001 are as follows:

Outstanding debt	\$41,122,900
Interest rates	4.00 - 7.44%
Dates of maturity	Fiscal Years 2002 to 2018

Debt service on the foregoing debt is payable during future fiscal years ending June 30 as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 2,622,500	\$ 2,234,929
2003	2,580,400	2,088,837
2004	2,540,000	1,943,115
2005	2,720,000	1,795,871
2006	2,675,000	1,644,615
Thereafter	27,985,000	8,277,432
	<u>\$ 41,122,900</u>	<u>\$ 17,984,799</u>

General obligation bonds are backed by the full faith and credit of the County. There are no sinking fund requirements.

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

4. LONG-TERM LIABILITIES, Continued

Literary fund loans consist of loans from the State Literary Loan Fund for the construction and improvement of various schools. Payment will be made in annual installments plus interest calculated at 3 - 4% per annum. The following is a summary of the repayment schedules for fiscal years:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 185,700	\$ 57,672
2003	160,000	51,000
2004	160,000	45,100
2005	160,000	39,200
2006	160,000	33,300
Thereafter	710,000	88,900
	<u>\$ 1,535,700</u>	<u>\$ 315,172</u>

Note payable is a taxable-refunding note used to refinance the Virginia Retirement System (VRS) obligation incurred by the School Board in a one-time early retirement incentive program offered by VRS during the fiscal year 1992. Payment will be made in semi-annual installments plus interest calculated at 7.39% per annum. The following is a summary of the repayment schedules for fiscal years:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 156,036	\$ 237,493
2003	167,780	225,749
2004	180,408	213,121
2005	193,986	199,542
2006	208,586	184,942
Thereafter	2,345,211	803,012
	<u>\$ 3,252,007</u>	<u>\$ 1,863,859</u>

The following is a summary of changes in long-term obligations during the year ended June 30, 2001:

	Balance at July 1, 2000	Additions	Reductions	Balance at June 30, 2001
<u>Proprietary Funds:</u>				
General obligation bonds	\$ 217,500	\$ —	\$ 75,400	\$ 142,100
Revenue bonds	9,962,586	—	152,386	9,810,200
Capital leases	1,791,667	—	111,667	1,680,000
Accrued vacation/sick pay	249,713	5,339	—	255,052
Total	12,221,466	5,339	339,453	11,887,352
<u>Primary Government:</u>				
General obligation bonds	43,702,500	—	2,579,600	41,122,900
Literary loans	1,725,600	—	189,900	1,535,700
Capital leases	493,296	121,800	155,316	459,780
Certificates of participation	3,695,000	—	225,000	3,470,000
Note payable	3,397,121	—	145,114	3,252,007
Accrued vacation/sick pay	2,358,129	313,672	—	2,671,801
Total	55,371,646	435,472	3,294,930	52,512,188
<u>Discretely Presented</u>				
<u>Component Unit - School Board:</u>				
Capital leases	703,250	—	97,000	606,250
Accrued vacation	1,193,064	195,680	—	1,388,744
Total	1,896,314	195,680	97,000	1,994,994
<u>Discretely Presented Component Unit -</u>				
<u>Industrial Development Authority:</u>				
Note payable	2,753,579	—	80,074	2,673,505
Accrued vacation/sick pay	15,693	2,982	18,675	—
Total	2,769,272	2,982	98,749	2,673,505
	<u>\$ 72,258,698</u>	<u>\$ 639,473</u>	<u>\$ 3,830,132</u>	<u>\$ 69,068,039</u>

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

4. LONG-TERM LIABILITIES, Continued

C. Virginia Peninsula Regional Jail Authority Liabilities

On September 1, 1995, the Virginia Peninsula Regional Jail Authority (Jail Authority) of which the County is a member jurisdiction as discussed in Note 1, issued \$36,340,000 of Regional Jail Facility Revenue bonds. The bonds were issued for the purpose of acquiring, constructing and equipping a Regional Jail Facility to serve its member jurisdictions. The bonds bear interest at 4.4% to 5.5%, which will be paid semi-annually. The bonds mature in amounts ranging from \$1,265,000 on October 1, 2001 to \$7,645,000 on October 1, 2018. The outstanding balance at June 30, 2001 is \$32,090,000.

The bonds are limited obligations of the Jail Authority, and do not constitute a general obligation debt or pledge of the faith and credit of any member jurisdiction, nor do they obligate any member jurisdiction to levy or pledge any form of taxation therefore. However, the County has entered into a non-binding moral obligation pledge of the member jurisdictions in which the member jurisdictions have agreed to pay their proportionate share of the debt service on the bonds and any debt service funding requirements if the Jail Authority lacks sufficient funds to do so. The County's proportionate share is 34%.

4. **LONG-TERM LIABILITIES**, Concluded

D. **Industrial Development Authority Liabilities**

On March 16, 1999, the IDA received a loan commitment of \$2,820,000 from Bank of America (formerly NationsBank) for a loan to pay off the outstanding balance of \$1,800,000 on the 1996 shell building loan and to finance the costs of certain construction and build-out improvements under the terms of a lease agreement for the shell building. In April 1999, the IDA began making monthly payments of interest only at 6.15%. Monthly principal and interest payments began August 1, 1999. The loan is backed by the moral obligation of the County of York, and secured by a credit line deed of trust on the property. During the year ended June 30, 2001, the IDA paid interest totaling \$166,715.

The following is a summary of the payments required on principal for fiscal years:

<u>Year</u>	<u>Principal</u>
2002	\$ 85,140
2003	90,526
2004	96,253
2005	<u>2,401,586</u>
	<u>\$ 2,673,505</u>

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

5. INTERFUND TRANSACTIONS

A. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2001 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Primary Government- General Fund	\$ 158,468	\$ 126,603
Special Revenue Funds:		
Children's Services/Head Start	-	40
Virginia Public Assistance	-	107,313
Capital Project Fund-		
Yorktown Capital Improvements	51	50,000
Enterprise Fund-		
Sewer Utility	126,231	1,115
Internal Service Fund	321	-
	<u>\$ 285,071</u>	<u>\$ 285,071</u>

B. Interfund Receivables and Payables - Primary Government and Component Unit School Board

Individual Primary Government and Component Unit - School Board intra-reporting entity receivable and payable balances at June 30, 2001 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Primary Government- General Fund	<u>\$ 106,912</u>	<u>\$ 8,321,378</u>
Discretely Presented Component Unit – School Board- School Operating Fund	<u>\$ 8,321,378</u>	<u>\$ 106,912</u>

C. Interfund Operating Transfers

The following interfund operating transfers occurred during the year ended June 30, 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government- General Fund	\$ -	\$ 14,767,587
Special Revenue Funds:		
Children's Services/Head Start	138,441	-
Virginia Public Assistance	962,067	-
Debt Service Funds:		
Fire and Rescue Fund	208,035	-
Public Facilities Fund	543,267	-
Education Debt Redemption Fund	4,943,127	-
Capital Project Funds:		
Yorktown Capital Improvements	1,922,500	-
County Capital	3,716,964	-
Enterprise Funds:		
York Sanitary District	10	-
Solid Waste	1,100,000	-
Water Utility	248,913	-
Sewer Utility	866,934	22,190
Internal Service Fund	139,519	-
	<u>\$ 14,789,777</u>	<u>\$ 14,789,777</u>

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

5. INTERFUND TRANSACTIONS, Concluded

D. Transfers Between Primary Government and Component Units

The following transfers took place between the primary government and its component units during the year ended June 30, 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 1,656,212	\$ 28,144,079
Debt Service Fund – Education Debt Redemption	393,529	-
Capital Project Fund – County Capital	-	1,703,000
	<u>\$ 2,049,741</u>	<u>\$ 29,847,079</u>
Discretely Presented Component Units:		
School Board:		
School Operating Fund	\$ 26,883,868	\$ 2,049,741
School Construction Fund	2,891,661	-
Industrial Development Authority	71,550	-
	<u>\$ 29,847,079</u>	<u>\$ 2,049,741</u>

6. SEGMENTS OF ENTERPRISE ACTIVITIES

The County maintains five enterprise funds, which provide water and sewer services and a sixth enterprise fund, which provides for solid waste disposal. The key financial data for the year ended June 30, 2001 for those services are as follows:

	<u>York Sanitary District</u>	<u>Sanitary District No. 2</u>	<u>Water Enterprise</u>	<u>Solid Waste</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Operating revenues	\$ —	\$ —	\$ —	\$ 2,890,734	\$ 821,438	\$ 6,010,148	\$ 9,722,320
Operating expenses							
Depreciation	85,265	449,849	22,367	139,275	40,253	979,396	1,716,405
Other	—	—	—	3,344,335	398,988	3,067,657	6,810,980
Total operating expenses	<u>85,265</u>	<u>449,849</u>	<u>22,367</u>	<u>3,483,610</u>	<u>439,241</u>	<u>4,047,053</u>	<u>8,527,385</u>
Operating income (loss)	(85,265)	(449,849)	(22,367)	(592,876)	382,197	1,963,095	1,194,935
Net non-operating revenues (expenses)	—	—	—	(82,684)	(56,493)	184,554	45,377
Net operating transfers in	10	—	—	1,100,000	248,913	844,744	2,193,667
Net income (loss)	<u>\$ (85,255)</u>	<u>\$ (449,849)</u>	<u>\$ (22,367)</u>	<u>\$ 424,440</u>	<u>\$ 574,617</u>	<u>\$ 2,992,393</u>	<u>\$ 3,433,979</u>
Total assets	<u>\$ 1,524,310</u>	<u>\$ 12,061,703</u>	<u>\$ 550,241</u>	<u>\$ 3,133,422</u>	<u>\$ 4,238,653</u>	<u>\$ 61,494,670</u>	<u>\$ 83,002,999</u>
Long-term liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,801,088</u>	<u>\$ 1,074</u>	<u>\$ 9,853,216</u>	<u>\$ 11,655,378</u>
Working capital	<u>\$ 112</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 408,706</u>	<u>\$ 353,841</u>	<u>\$ 12,683,624</u>	<u>\$ 13,446,283</u>
Total fund equity	<u>\$ 1,524,310</u>	<u>\$ 12,061,703</u>	<u>\$ 550,241</u>	<u>\$ 571,628</u>	<u>\$ 4,206,146</u>	<u>\$ 50,374,690</u>	<u>\$ 69,288,718</u>
Acquisition of property, plant & equipment	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 915,509</u>	<u>\$ 3,420,726</u>	<u>\$ 4,336,235</u>
Increase in capital contributions	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,080,910</u>	<u>\$ 1,080,910</u>

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

7. LEASES

The County leases certain equipment and various office spaces under noncancellable operating lease agreements. A summary of future minimum rental payments under noncancellable operating leases as of June 30, 2001 is as follows:

<u>Fiscal Years</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit - School Board</u>
2002	\$ 87,020	\$ 29,374
2003	66,971	25,349
2004	65,771	25,349
2005	65,771	12,869
2006	38,367	6,817
Total minimum lease payments	<u>\$ 323,900</u>	<u>\$ 99,758</u>

Rental expenditures for the year ended June 30, 2001 for all operating leases were \$94,316 and \$21,897 for the County and Discretely Presented Component Unit - School Board, respectively.

The County also leases the usage of its communications tower under operating lease agreements. This tower is an asset included in the County's General Fixed Asset Account Group at June 30, 2001 with a carrying amount of \$134,174.

The IDA leases the usage of a shell building. The shell building is an asset listed as Property, Plant and Equipment as of June 30, 2001 with a carrying amount of \$2,581,195, net of accumulated depreciation. The lessor has the exclusive option to purchase the building prior to June 30, 2004 at a price equal to \$2,650,000 less the aggregate principal payments paid by the IDA.

A summary of the future minimum rental receipts under noncancellable operating leases as of June 30, 2001 is as follows:

<u>Fiscal Year</u>	<u>Operating Leases</u>	<u>Discretely Presented Component Unit - School Board</u>	<u>IDA</u>
2002	\$ 301,796	\$ 33,600	\$ 242,400
2003	300,344	33,600	262,800
2004	257,844	-	262,800
2005	229,336	-	-
2006	196,044	-	-
Thereafter	<u>2,895,934</u>	<u>-</u>	<u>-</u>
Total minimum lease payments	<u>\$ 4,181,298</u>	<u>\$ 67,200</u>	<u>\$ 768,000</u>

Rental revenue receipts for all operating leases were \$344,456 for the County, \$35,600 for the School Board, and \$181,800 for the IDA for the year ended June 30, 2001.

The County leases certain equipment and buildings under capital lease agreements. A summary of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2001 is as follows:

<u>Fiscal Year</u>	<u>Primary Government Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Discretely Presented Component Unit - School Board</u>
2002	\$ 622,331	\$ 212,198	\$ 126,349
2003	589,631	211,015	121,353
2004	579,585	209,450	116,358
2005	573,500	207,471	111,362
2006	525,718	205,834	106,367
Thereafter	<u>2,594,232</u>	<u>1,227,126</u>	<u>125,968</u>
Total minimum lease payment	5,484,997	2,273,094	707,757
Less amount representing interest	<u>(1,555,217)</u>	<u>(593,094)</u>	<u>(101,507)</u>
Present value of principal	<u>\$ 3,929,780</u>	<u>\$ 1,680,000</u>	<u>\$ 606,250</u>

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

7. LEASES, Concluded

The carrying value of fixed assets under capital lease agreements is as follows: the Governmental Funds - \$5,754,591; and the Enterprise Funds - \$1,284,822.

8. DEFINED BENEFIT PENSION PLANS

A. Plan Descriptions

The County of York has three defined benefit pension plans. In the first plan (the "County" plan), the County of York contributes to the Virginia Retirement System (VRS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. The County of York payroll for employees covered by the VRS for the year ended June 30, 2001 was \$21,354,815 out of the total payroll of \$23,972,396.

In the second plan (the "School Board" plan), professional employees of the York County School Board are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool. The payroll for professional employees covered by VRS for the year ended June 30, 2001 was \$39,953,755; the total payroll was \$42,298,422. As of June 30, 1992, non-professional employees of the York County School Board are also covered by the VRS. Non-professional employees participate as a separate group in the agent multiple-employer retirement system. The payroll for non-professional employees covered by VRS for the year ended June 30, 2001 was \$5,272,258 out of the total payroll of \$6,249,278.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employers (age 50 with 25 years for participating local law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7% of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia (1950)*, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

In the third plan (the "optional" plan), non-professional employees of the York County School Board who were not previously covered by VRS are provided pension benefits through a single employer defined benefit pension plan administered by a fiduciary agent of the York County School Board. The optional plan provides retirement benefits as well as death and disability benefits. As of June 30, 1992, the optional plan was frozen and the non-professional employees who participated in the plan became fully vested. The non-professional employees now participate in the VRS as noted above.

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

8. DEFINED BENEFIT PENSION PLANS, Continued

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution has been assumed by the County of York and by the York County School Board. In addition, the County of York and the York County School Board are required to contribute the remaining amounts necessary to fund the systems using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County of York's contribution rate for fiscal years ended 2001, 2000, and 1999, was 9.24%, 12.2% and 11.84%, respectively, of annual covered payroll. The York County School Board's contribution rate for non-professional employees for fiscal years ended 2001, 2000, and 1999 was 10.69%, 10.48%, and 10.26%, respectively, of annual covered payroll. The York County School Board's required contribution for the professional employees for fiscal years ended 2001, 2000, and 1999, was \$5,010,201, \$5,076,942, and \$4,508,335, respectively, and was fully funded for each fiscal year.

C. Annual Pension Cost

The County of York's annual pension costs of \$ 1,896,308, \$ 2,340,466, and \$2,169,940 for 2001, 2000, and 1999, respectively, were equal to the required and actual contributions. The York County School Board's annual pension costs for the non-professional employees of \$661,141, \$500,673, and \$454,032 for 2001, 2000, and 1999, respectively, were equal to the required and actual contributions.

The required contribution for VRS was determined as part of the June 30, 1998 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4% - 6.15% per year, and (c) 3.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's funding excess is being amortized as a level percentage of payroll on an open basis within a period of ten years.

Schedule of Funding Progress
(As Required by GASB #27)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL) (Funding Excess)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL (Funding Excess) as % of Payroll</u>
<u>County Plan</u>						
June 30, 1998	\$ 41,937,046	\$ 36,196,879	\$ (5,740,167)	115.9%	\$ 17,516,286	-32.8%
June 30, 1999	\$ 49,484,840	\$ 44,952,282	\$ (4,532,558)	110.1%	\$ 18,717,378	-24.2%
June 30, 2000	\$ 58,475,855	\$ 46,721,751	\$ (11,754,104)	125.2%	\$ 19,697,878	-59.7%
<u>Optional Plan</u>						
June 30, 1999	\$ 1,168,859	\$ 1,590,888	\$ 422,029	73.5%	\$ —	N/A
June 30, 2000	\$ 1,106,125	\$ 1,603,196	\$ 497,071	69.0%	\$ —	N/A
June 30, 2001	\$ 981,289	\$ 1,631,198	\$ 649,909	60.2%	\$ —	N/A
<u>School Board Plan - Non-Professional</u>						
June 30, 1998	\$ 3,078,981	\$ 3,968,968	\$ 889,987	77.6%	\$ 4,005,618	22.2%
June 30, 1999	\$ 3,889,444	\$ 4,789,630	\$ 900,186	81.2%	\$ 4,431,700	20.3%
June 30, 2000	\$ 4,876,776	\$ 4,797,873	\$ (78,903)	101.6%	\$ 4,825,161	-1.6%

The York County School Board's annual pension costs for the optional plan of \$43,413, \$36,399, and \$90,000 for 2001, 2000, and 1999, respectively, were equal to the required and actual contributions.

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

8. DEFINED BENEFIT PENSION PLANS, Concluded

The actuarial accrued liability for the optional plan was determined as part of an actuarial valuation on June 30, 2001. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7% per year compounded annually, (b) post-retirement benefit increases of 2% per year, and (c) percentage of current retiree benefits to be paid of 100%.

D. Industrial Development Authority

In September of 2000, the employees of the Industrial Development Authority became employees of the County. At June 30, 2001, the Industrial Development Authority is no longer responsible for their participation in the VRS program. Information regarding the Industrial Development Authority's plan status is available in separately published financial statements.

9. COMMITMENTS AND CONTINGENT LIABILITIES

A. Post-Closure Landfill Costs

The landfill was closed on October 9, 1993. Post-closure costs at June 30, 2001 of \$357,632 are expected to be incurred over the next three years. An annual evaluation is performed to determine future costs. Funding of these costs will be from current operating revenues. Post-closure costs are included in liabilities of the Solid Waste Fund as follows:

Construction of methane gas collection system	\$ 2,940
Landfill monitoring and maintenance	<u>354,692</u>
	357,632
Less current portion	<u>(197,632)</u>
	<u>\$ 160,000</u>

B. Risk Management

The County and the School Board are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County reports all of its risk management activities in its General Fund and pays all claims for retained risks from General Fund resources. The School Board reports all of its risk management activities in its Operating Fund and pays all claims for retained risks from Operating Fund resources. The County and the School Board maintain comprehensive property and casualty policies, commercial general liability policies, comprehensive liability vehicle fleet policies and coverages for errors and omissions, and employer's liability and certain other risks with commercial insurance companies. The General and School Operating Funds retain the full risk for unemployment compensation, up to \$60,000 for each health care claim and up to \$200,000 for each workers' compensation occurrence subject to a \$600,000 annual aggregate on the combined claims. All unemployment, health care claims and workers' compensation claims are paid through a third-party administrator through resources from the General and School Operating Funds. For all retained risks, claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. There have been no reductions in insurance coverages from the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past four fiscal years.

The County health care liability at June 30 is included in salaries, taxes and benefits payable balance of the County operating funds. The County had available \$567,586 for health care claims and \$1,112,754 for workers' compensation claims at June 30, 2001, which is considered sufficient to cover pending claims and incurred but not reported claims that may arise.

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Continued
June 30, 2001

9. COMMITMENTS AND CONTINGENT LIABILITIES, Concluded

Changes in the reported liability since June 30, 1999 resulted from the following:

	<u>2001</u>	<u>2000</u>
Accrued liability at beginning of year	\$ 1,499,964	\$ 1,059,686
Claims and changes in estimates	3,169,400	2,833,308
Claims payment	<u>(2,989,024)</u>	<u>(2,393,030)</u>
Accrued liability at end of year	<u>\$ 1,680,340</u>	<u>\$ 1,499,964</u>

The School Board health care claim liability at June 30 is included in salaries, taxes, and benefits payable balance of the Schools Operating Fund. The Schools had available \$936,934 for health care claims and \$1,180,451 for workers' compensation claims at June 30, 2001, which is considered sufficient to cover pending claims and incurred but not reported claims that may arise.

Changes in the reported liability since June 30, 1999 resulted from the following:

	<u>2001</u>	<u>2000</u>
Accrued liability at beginning of year	\$ 1,729,770	\$ 1,544,540
Claims and changes in estimates	4,460,648	3,654,200
Claims payment	<u>(4,073,033)</u>	<u>(3,468,970)</u>
Accrued liability at end of year	<u>\$ 2,117,385</u>	<u>\$ 1,729,770</u>

10. SURETY BONDS

The County of York maintains the following surety bonds at June 30, 2001:

	<u>Amount</u>
<u>Fidelity and Deposit Company of Maryland - Surety:</u>	
Treasurer and/or Director of Financial & Management Services	\$ 750,000
Clerk of the Circuit Court	1,275,000
Sheriff	30,000
Commissioner of the Revenue	3,000
County Administrator	2,000
<u>Travelers Casualty and Surety Company of America - Surety:</u>	
Code Compliance	1,000
<u>Virginia Municipal Liability Pool – Surety:</u>	
All County employees	250,000

In addition, the Discretely Presented Component Unit - School Board maintains the following surety bond at June 30, 2001:

<u>Graphic Arts Mutual Insurance Company - Surety:</u>	
All School Board employees	\$ 250,000

11. JOINT VENTURE

The County of York has a 76% share of the York County - James City County Joint Sanitary District. Each County is represented on the Joint Sanitary District Board by its Board of Supervisors and exercises control over budgeting and financing. The Joint Board ceased operation as of July 1, 1987 and is in the process of being dissolved. York County will receive 76% of the assets and liabilities upon dissolution.

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Concluded
June 30, 2001

11. JOINT VENTURE, Concluded

Summary financial information of the Joint Sanitary District for the year ended June 30, 2001 is as follows:

Assets	\$ <u>607,847</u>
Liabilities - current	\$ <u>12,088</u>
Equity	\$ <u>595,759</u>

12. POST-RETIREMENT BENEFITS

In addition to the pension benefits described in Note 8, the School Board provides post-retirement health care benefits, in accordance with School Board policy, to all employees who retire from York County Public Schools with 100 days of accumulated sick leave, 10 years of service and a minimum of 24 months participation in the health insurance program immediately prior to retirement. Currently, 9 retirees are participating in this program. The School Board pays a monthly contribution of \$25 toward the health care program premium for a total period of time not to exceed 10 years or until retiree is eligible for Medicare. Expenditures for post-retirement health care benefits are recognized as incurred. During the year, expenditures of \$2,700 were recognized as incurred for post-retirement health care.

13. DEFERRED COMPENSATION PLAN

The County, including its component units, the Schools and IDA, offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the participants. Investments are managed by the plan's trustee under one or a combination of 33 investment options. The participants make the choice of the investment options.

The Schools offer its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, available to all Schools employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until separation of service; retirement, death, disability, financial hardship and/or reaching age 59½. The Schools offer a selection of investment options to participants. All earnings on the invested funds compound tax-free until withdrawn from the account.

The IDA has a deferred compensation plan under which the participants may defer a portion of their annual compensation subject to limitations of Internal Revenue Code Section 457. Any contributions made to the deferred compensation plan are not available to employees until termination, retirement, death or unforeseeable emergency. Contributions to the plan are administered by a third-party administrator. The plan assets are in custodial accounts for the exclusive benefit for the plan participants and beneficiaries. As of September 2000, the employees of the IDA became employees of the County and have the option to participate in the County plan.

14. DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. At June 30, 2001, deferred revenue totaled \$2,358,961. Of this amount, \$1,938,502 represents uncollected tax billings not available for funding of current expenditures; \$384,838 represents the receipt of payments of a tax assessment due on December 5, 2001, but not yet billed; \$12,687 represents the receipt of monies for Wireless E-911 Service not yet expended; \$6,117 represents the advance payment from the City of Poquoson for shared court services; \$16,667 represents tower rentals paid in advance; and \$150 represents office space rentals paid in advance.

The deferred revenue at June 30, 2001 for the IDA of \$20,200 consisted of shell building rents paid in advance.

COUNTY OF YORK, VIRGINIA
Notes to General Purpose Financial Statements, Concluded
June 30, 2001

15. SUBSEQUENT EVENTS

In the fall of 2001, the County will be issuing \$17,500,000 General Obligation Refunding Bonds to refund the callable maturities of the County's \$25,000,000 General Obligation School Bonds, Series 1994. The County Bonds were issued to finance the costs of various capital improvements for school purposes with interest rates of 5.6% to 5.9%. Average annual savings is anticipated to be \$60,000 over the remaining life of the series.

In the fall of 2001, the County will be refunding the outstanding maturities of the County's \$2,750,000 Certificates of Participation, Series 1990 and \$2,400,000 Certificates of Participation, Series 1992 through lease revenue bonds totaling \$3,470,000 to be issued by the Industrial Development Authority of York County, Virginia. The certificates of participation were issued to finance the costs of acquiring, constructing and equipping various County facilities with interest rates of 6.9% to 7.25%. Average annual savings is anticipated to be \$40,000 over the remaining life of the series.